

Chapter 2

Challenges for news media in the digital age

2.1 This chapter first sets out the broad trends in the media sector and advertising, and how these are affecting public interest journalism, with particular emphasis on developments since the 2012 independent review of Australia's media sector and media regulation framework undertaken by the Hon Raymond Finkelstein AO QC (Finkelstein Report).

2.2 It then looks at the negative impact of these broad trends on the standards of public interest journalism, particularly the effects of huge job losses for journalists and related staff in the sector. As well as noting the general effects, it considers a number of areas that have been hit particularly hard. It outlines a number of concurrent phenomena that have become more significant over the last few years, such as a growing distrust the media in some parts of the world, and the spread of fake news, which has had profound effects on some political processes globally.¹

Trends since the Finkelstein Report

2.3 The 2012 Finkelstein Report noted that new technology had profoundly changed the way Australians access news, and that traditional media had experienced a decline in revenues from a dwindling circulation and a shift away from print classified advertising. However, it argued that there was not a case for government to undertake any intervention in the market at that time:

We are in the midst of changes whose future direction can only dimly be discerned. Moreover there are many positive as well as negative changes with the increasing importance of the internet. Low barriers to entry will facilitate new ventures, and so may lead to more democratic diversity, given the concentrated ownership of Australian newspapers.

I have reached the conclusion that this stage there is not a case for government support.

Nevertheless, the situation is changing rapidly, and requires careful and continuous monitoring.²

2.4 It is evident that the pace of change following the Finklestein inquiry has continued exponentially. There have been some positive signs from the growth of digital modes of communication. As the Finkelstein Report prefigured, the sector has seen low barriers to entry encouraging innovation and proliferation of new media in the sector, new modes of delivery and technology platforms being developed, both in Australia and globally, and a promising range of new partnerships between journalists,

1 Please note that the following chapter of this report looks at some of the ways that new technologies have had positive effects on the media landscape.

2 The Hon R. Finkelstein QC assisted by Professor M. Ricketson, *Report of the Independent Inquiry into the Media and Media Regulation*, 28 February 2012, pp. 10–11.

publishers, universities and private institutions. However, it is also clear that the scale and speed of these changes has had profoundly negative effects on the traditional news media sector, including a depletion of the capacity of many organisations to provide quality public interest journalism. This is particularly concerning as many of these traditional media organisations have over many years provided the bedrock of investigative and public interest journalism, informing the public and holding all levels of Australian government to account.

2.5 Dr Denis Muller, a Senior Researcher at the University of Melbourne's Centre for Advancing Journalism, told the committee that he worked on the Finkelstein inquiry. He suggested that, where Finkelstein had argued there was no case for Commonwealth intervention in 2012, there is now a considerable case for government support:

We were very sanguine [in 2012] that government intervention was not necessary. That's only five years ago. Things have changed dramatically in the time since. That loss of more than 3,000 journalistic jobs and the more recent financial statements from News Corp suggest that this trend is going to continue. We know from our own professional experience...how expensive and extensive investigative journalism can be. I think that all the arrows are pointing in the one direction, and that is that the financial crisis engulfing commercial newspapers in particular is going to accelerate. There's no sign of it doing otherwise.

Therefore, if we value public interest journalism...I think we've reached the point where there is an unanswerable case for government financial intervention using a mechanism which guarantees independence of the media from government.³

2.6 Professor Matthew Ricketson, the Professor of Communications at Deakin University, told the committee that he also worked on the Finkelstein Report, and had reappraised the need for government assistance. He noted that much of the change since 2012 can be attributed to the increased share of advertising revenue flowing to online aggregation services, rather than traditional media outlets:

...the landscape has changed dramatically in the last five years. Google and Facebook were very large back then, in 2011, but the extent to which they've been able to vacuum up advertising revenue around the world was not really known then, and that has happened in the last few years. That has been an absolute game changer...

The extent to which they've changed the landscape in the way in which society organises itself economically is absolutely profound, and so it needs to be thought about. Journalism is a public good. There are areas in which market forces haven't worked. I think markets are very good in many ways and they have deficiencies, and where they have deficiencies is where a government should step in and attempt to do something, especially for

3 *Committee Hansard*, 21 August 2017, p. 3.

journalism, which is a public good and does require a lot of time and resources and energy to resource and to do.⁴

The digital revolution and the challenge to traditional business models

2.7 Perhaps the most common theme in evidence received from the media sector was the struggle to adapt to new business models, including the implications of the move away from a reliance on revenue from advertising and newspaper sales, toward monetising the publication of material on masthead sites, and through the aggregators. Evidence received by the committee about the general trends in media over the last decade can be further summarised as follows:

- New web-based and mobile technologies and changes in media consumption have disrupted the traditional media sector all over the world;
- The shift of advertising away from traditional media to online platforms has led to a collapse of revenues in broadcast and print formats, with less dramatic shifts in the free-to-air and pay television sector;
- In the face of these changes, most traditional print media companies have struggled to develop sustainable business models;
- Most print media companies have restructured their operations, including a substantial loss of journalist positions, which has resulted in a loss of capacity to undertake public interest and investigative journalism; and
- The full effects of these changes are not yet clear.

2.8 The Public Interest Journalism Foundation (PIJF) outlined the business model of traditional media that has been challenged by the shift to online media:

This is a fundamental structural change in the way in which the information needs of society are served. News media for most of the last century appeared to be one relatively simple business. Gather an audience by providing content, including news, and sell the attention of the audience to advertisers. The internet and its applications have brought that business undone.⁵

2.9 Professor Mark Ritson, Adjunct Professor of Marketing at Melbourne Business School, suggested that this traditional model was based on accruing around two-thirds of revenue from advertising, and the remainder from readership purchase or subscription.⁶ Ms Cassidy Knowlton, Editor of Crikey, described how the 'rivers of gold' that had flowed from advertising, including classifieds, had now dwindled to a trickle for traditional media:

The 'rivers of gold' have truly dried up. Facebook and Google have really taken most of the advertising that used to go into newspapers. There are no classifieds anymore—everything's on Craigslist or Facebook. Even the rate

4 *Committee Hansard*, 21 August 2017, p. 3.

5 *Submission 13*, p. 4.

6 *Committee Hansard*, 22 August 2017, p. 43.

for a full page in *The Age* is now a fraction of what it would have cost 15 years ago. For them to say we are losing money hand over fist is true—they absolutely are losing money hand over fist.⁷

2.10 The committee heard a range of estimates regarding the total annual advertising spend in Australia of between \$12 and \$16 billion in 2017.⁸ Submitters agreed that digital was the leading area of growth, that traditional forms of advertising were in decline—particularly in print media, and that Facebook and Google already had a massive proportion of a growing online advertising market.

2.11 According to Standard Media Index figures, total advertising spend in Australia increased by 11 per cent from the first half of 2013 to mid-2017, with the biggest increase coming from the digital advertising, which grew by 87 per cent. By contrast, over this time, advertising revenue losses in traditional media were particularly acute in newspapers and magazines, both declining by about 46 per cent. While it is clear the print media sector has been hit the hardest by the switch to online media, over the same period, Standard Media Index (SMI) figures show that television has also suffered a decline in market share of around 5 per cent.⁹

2.12 Schwartz Media succinctly outlined the cause of the drop in revenues to traditional media from the shift to digital since 2012:

In Australia, newspaper advertising revenue has dropped 40 per cent in just five years, to \$2.4 billion, according to PricewaterhouseCoopers. By contrast, the online advertising market is growing at 25 per cent a year and on various estimates will be worth \$6 billion this year. According to Morgan Stanley, Google and Facebook generated the lion's share of this, between \$4 and \$5 billion—around 40 per cent of our total advertising market and rising fast.

Globally, it's widely accepted that these two tech companies are picking up 80–90 per cent of all new digital advertising. The leak of advertising to the tech giants seems inexorable. It's not that readers are deserting the mastheads: the number of people who read them either in print or online has never been higher. It's simply that 'print dollars turned into digital cents'.¹⁰

2.13 The MEAA reported roughly the same trends, also noting the huge growth of advertising revenues in the foreseeable future:

....It is important to remember there are some organisations that are booming in terms of advertising revenue. The Pew Research Centre found that, of the \$59.6 billion spent on all digital advertising in 2015,

7 *Committee Hansard*, 21 August 2017, p. 29.

8 See, for example the figures provided by Mr Christopher Walton, Managing Director, Nunn Media, *Committee Hansard*, 22 August 2017, p. 57; and Associate Professor Mark Ritson—correction to evidence given at hearing Sydney 22 August 2017.

9 Based on Standard Media Index figures tabled by Mr Chris Walton, Managing Director, Nunn Media, *Committee Hansard*, 22 August 2017.

10 *Submission 10*, p. 1.

\$38.5 billion of that went to Google, Facebook, Yahoo, Microsoft and Twitter. At the same time, of course, many of these corporations are paying virtually no tax at all...

In Australia, internet advertising revenues are scheduled to grow from \$3.93 billion in 2013 to \$7.25 billion in 2018, but that revenue is not going direct to news organisations that produce journalistic and other content. In increasing amounts, it is going to intermediaries. Morgan Stanley in Australia say that Facebook and Google are taking all of the ad market growth and then some. They estimated last year that Google and Facebook will collectively extract \$4 billion to \$5 billion worth of ad revenue, representing 35 to 40 per cent of total ad revenue.¹¹

2.14 In addition to collapsing advertising revenues, it was broadly agreed in evidence that the traditional print media has generally struggled to adapt its business model to monetise news publication on digital platforms.¹² For example, Ms Knowlton told the committee that, the collapse of advertising revenues had been accompanied by a cultural shift in consumer consumption patterns:

Moving online has been very hurtful to print publications because, one, they can't have any advertising, and, two, no one wants to pay for news online because there's so much of it that's free, which was probably a huge mistake by most publishers when they launched and they launched free.¹³

2.15 Mr Ross Mitchell, the Director of Broadcasting Policy for Free TV Australia, observed that the advertising share of television had also declined, which meant:

...sustaining the volume of public interest journalism is becoming increasingly hard [for TV], owing to the changes we are seeing in consumption and advertising, largely driven by huge foreign media tech companies like Google and Facebook. Over the last 10 years, online advertising revenue has grown by 460 per cent in real terms, while TV advertising revenue has fallen by 22 per cent. This has a direct impact on our capacity to keep supporting Australian jobs and producing high-quality news services.¹⁴

2.16 A number of submitters suggested that the advertising industry is also facing a number of challenges in adapting to the challenge of the digital shift. For example, Ms Jane Schulze, the Managing Director for Australia/New Zealand of SMI, noted that the huge growth in 'programmatic' advertising, in which online advertising is bought and sold and purchased at very fast speeds by automated systems, has further degraded the real value of advertising on newspaper and their digital platforms:

It is a common mantra in the media world that a newspaper ad that once sold for the equivalent of one dollar [per thousand] has an equivalent digital

11 *Committee Hansard*, 17 May 2017, pp. 10–11.

12 See, for example, *Submission 37*, p. 7; *Submission 39* attachment 1, p. 30.

13 *Committee Hansard*, 21 August 2017, p. 29.

14 Mr Ross Mitchell, Director, Broadcasting Policy, Free TV Australia, *Committee Hansard*, 11 July 2017, p. 41.

value of 10c. But that value has now decreased further..., with most estimating [potential decline] to 3c to 4c, as this new form of digital trading called programmatic buying has taken off. In this world of online advertising auctions fuelled by computer algorithms, the amount of money returned to the publishers who actually created the content is even less.¹⁵

2.17 Evidence also noted the effects of a fragmenting market on both advertisers and traditional media across a range of metrics, including viewership, circulation, advertising or the number of 'eyeballs' viewing content, across all media formats.¹⁶ For example, the MEAA submitted:

The digital disruption that has transformed the media has shaken everything we knew about our industry. There is no certainty. The audience is fragmented. That fragmentation has savaged revenue streams whether that revenue comes from advertising, subscriptions, circulation or eyeballs.¹⁷

2.18 This fragmentation of the market has also affected the way advertisers are able to plan, purchase and book advertising, and smaller amounts of money are reaching content producers. Mr Chris Walton, the Managing Director of Nunn Media, told the committee that in former times:

A client would give us their money and ask for our advice to plan and then buy with that money. For every \$100 they gave us, approximately \$10 was kept by the agency to cover fees and \$90 was invested in the media, for paid advertising. What was simple was that the people who produced the content were the same people who aggregated the audience. What we've seen over the last 15 years is a decoupling between those who produce the content and those who aggregate the audience. As a media buyer who is briefed to reach as many relevant people as possible on behalf of your client, you follow the audience. If the way to them is through disaggregation—most commonly referred to as Google and Facebook—then that's where you go....It's fragmented the way that money is being spent. What that means in practical terms is the amount of money going to those who produce content has diminished as a share...You hear talk that, in extreme cases, for every dollar put on media, only 10c is reaching the content producer and 90c is going on a mixture of data, technology and agency fees, both disclosed and undisclosed...¹⁸

2.19 Some submitters also noted the significant distortions in the metrics of digital advertising. The success of (and remuneration earned from) online advertising is broadly determined by the number of times an ad is viewed, and/or 'clicked on'. Mr Timothy Whitfield, the Director of Technical Operations for Group M, noted

15 *Committee Hansard*, 11 July 2017, p. 21.

16 For example, see Dr Christopher Berg, *Submission 16*, p. 5; Mr Tim Lloyd, *Submission 17*, p. 1; MEAA, *Submission 64*, p. 3; Mr Chris Walton, Managing Director, Nunn Media, *Committee Hansard*, 22 August 2017, p. 57; Ms Ishtar Vij, Head, Public Policy and Government Relations, Google Australia Pty Ltd, *Committee Hansard*, 22 August 2017, p. 31.

17 MEAA, *Submission 64*, p. 3.

18 *Committee Hansard*, 22 August 2017, p. 57.

significant fraud in relation to websites, some containing fake news, which can be manipulated by 'click farms', where humans or computers click on webpages to artificially inflate the value of a page:

Click farms would be in two different categories, either human or non-human. A human click farm could be a large group of people working together in a factory, in very much a sweatshop styled factory, where they are paid to click on ads to artificially drive up the price and make it look like they are real humans... [If] I was able to locate exactly where they are, they would change. There are a lot of sophisticated ways to be able to hide the true locations.¹⁹

2.20 Ms Jodie Sangster, the CEO of the Association for Data-Driven Marketing and Advertising, suggested that this phenomenon was reasonably new, and that 'market forces' would play a part in correcting ad fraud, and so there was currently no need for government regulation in the space:

It will swing back to high-quality media that is safe media that people want to be aligned to and want to be alongside. I think we will see a bit of a swing back, and we are already seeing brands saying that they are pulling their media spend from certain places because they don't believe either that they are being seen or that they are being aligned alongside content that they want to be aligned to. I think it is too early to jump in now and say we need regulation when this is something that has only been around, or at the top of the agenda, for probably a year.²⁰

The loss of journalist jobs from industry restructuring

2.21 Many traditional media companies have responded to the collapse of their business models by engaging in corporate restructures, including cost-cutting, rounds of redundancies, streamlining of positions and the increasing use of contract workers. This has meant, for the most part, wholesale losses of journalist positions, which has depleted the capacity of the media sector to produce quality public interest journalism, not only due to fewer working journalists being employed, but also due to the loss of expertise from redundancies.

2.22 The committee was particularly struck by the number of journalist jobs that have been lost in the last few years, which some evidence suggested was approximately 3000–3200 positions between 2012 and late-2017.²¹ The MEAA estimated that this figure accounted for the loss of around one quarter of all journalist positions over the period.²²

19 *Committee Hansard*, 11 July 2017, pp. 20–21.

20 *Committee Hansard*, 11 July 2017, p. 30.

21 See Dr Denis Muller, Senior Research Fellow, Centre for Advancing Journalism, University of Melbourne, *Committee Hansard*, 21 August 2017, p. 1; also the New Beats Project, *Submission 37*, p. 3.

22 Mr Paul Murphy, Chief Executive, Media, Entertainment & Arts Alliance, *Committee Hansard*, 17 May 2017, p. 10.

2.23 The comprehensive timeline of industry job losses between 2012 and 2017, provided to the committee by the New Beats Project, concentrates mainly on news journalist positions lost over this time from media companies restructuring or closing down. However, it also draws attention to the number of redundancies of editors, sub-editors, photojournalists, production and technical staff supporting journalists, which has further depleted the capacity of the news media sector.²³

2.24 Professor Mark Pearson, Professor of Journalism and Social Media at Griffith University, observed that these job losses have weakened the capacity of the traditional media to provide quality public interest journalism. He noted that investigative journalism required substantial resources to produce, which was increasingly difficult to achieve given diminishing budgets in most media organisations:

As many have told you already, obviously the predominant impact has been on the revenue available to what you might call traditional news organisations for them to fund what we might call public interest journalism—investigative journalism, deeper levels of reporting that require more time and resources. That means that what is essentially a pillar of democracy—a fully-functioning independent media which is able to perform a watchdog role upon other important political and social institutions—is under-resourced in both dollar terms and, now, with the demise of major news organisations, people terms as well.²⁴

2.25 It was also noted that many senior journalists had been given or requested redundancies, which had led to a loss of experienced mentors and training opportunities for younger journalists, particularly in the print media. This means that it is not only the current capacity of the news media that is weakened, but also the future ability of the media sector to produce high quality public interest journalism.²⁵

2.26 The MEAA noted that many organisations had replaced permanent journalists on their payroll with contract or casual workers, which had increased workloads and reduced morale across the industry.²⁶ This, in part has been due to a significant reduction of salary and working conditions:

Work for every media platform is increasingly being outsourced to third parties. Previous employees are now working freelance as independent contractors on lower pay rates, with no job security and fewer benefits than before. As redundancies have increased, the marketplace of these freelance workers has become more crowded and, as costs have been cut, the editorial budgets available to pay for outsourcing have been sliced into smaller and smaller pieces, meaning that freelancers are competing among themselves for increasingly declining rates of pay. I would say that in an increasing number of cases the arrangements we are seeing being put in place amount,

23 New Beats Project, *Submission 37*, pp. 8–14.

24 *Committee Hansard*, 11 July 2017, p. 32.

25 See, for example, Nolan et al, *Submission 30*, p. 29.

26 *Submission 64*, p. 8; See also Nolan et al, *Submission 30*, p. 10.

in our view, to little more than sham contracting. These people are in a very exposed position.²⁷

2.27 This increased reliance on the 'gig economy' has also led to a decline in confidence among journalists producing public interest journalism. As the New Beats Project submitted:

Employment is increasingly casualised, and funding more precarious. This has clear implications for the kind of public interest journalism that is been produced by a diminishing number of specialist reporters and investigative teams. As noted in one of our research papers, some journalists in our study feel they cannot actually perform public interest or 'watchdog' journalism after redundancy because they are no longer backed by a large organisation.²⁸

Australia's public broadcasters—ABC and SBS

2.28 Australia's public broadcasters, the ABC and SBS, have experienced significant cuts to their operating budgets over recent years. Although their level of funding has been more certain and stable than the operational budgets in the commercial sector, this has affected their ability to undertake general public interest journalism, and has resulted in rounds of redundancies, loss of particular programmes, and other effects of restructuring and budget cuts.

2.29 Submitters considered that the ABC's capacity to provide public interest journalism has been reduced in a number of ways, including through budget cuts of around \$270 million since 2014, and subsequent job losses, increased casualization and outsourcing of production, and the politicisation of the independence and integrity of the ABC's reporting. The MEAA noted that:

Constant cuts are also negatively affecting the ABC's ability to fund public interest journalism and local newsrooms. Budget cuts in 2014 saw the elimination of the local Friday edition 7.30 program (formerly called *Stateline*) from eight states and territories, diminishing the in-depth coverage of state politics, health, education and environmental issues.

Deep cuts to reporting staff, field crews, travel budgets and other current affairs programs have also occurred across capital city newsrooms over the last three years. This month the state issues TV program *Australia Wide*, has been eliminated, and plans to downsize influential radio shows *AM*, *PM* and *The World Today* look likely. International bureaus have also been downscaled over the last decade following the cancellation of Australia Network—with many overseas bureaus manned by single-person video-journalists.²⁹

27 Mr Paul Murphy, Chief Executive, MEAA, *Committee Hansard*, 17 May 2017, p. 10; see also Ms Jane Canaway, *Submission 48*, p. 3.

28 *Submission 37*, p.5.

29 Dr Colleen Murrell, Co-Secretary, Journalism Education and Research Association of Australia, *Committee Hansard*, 11 July 2017, p. 48.

2.30 A number of submissions noted that the ABC was particularly stretched in delivering current affairs and local news for some areas. As commercial broadcasters increasingly shut down their operations in places that are not commercially viable, the ABC is often left as the last provider of local current affairs, particularly for many regional and rural communities.³⁰

2.31 Regarding SBS, Australia's multicultural broadcaster, recent budget cuts have only been partially offset by the recent change to SBS' funding model, which allow it to screen a limited amount of paid advertising content. Cost-cutting, redundancies and restructuring have also meant a reduced capacity to provide public interest journalism, including a reduction of 'resources, capabilities and program offerings'.³¹

Negative effects in focus

2.32 The committee was concerned that the collapse of traditional business models in the media sector has had overwhelmingly negative effects in a number of particular geographic and cultural areas that warranted specific discussion.

Local and regional and rural journalism

2.33 Deakin University highlighted the risk of rural and regional communities having fewer reliable sources of news, especially considering recent cuts to the ABC's provision of local news services:

Many rural and regional news reports are produced hundreds of kilometres away from the towns to which they are broadcast, with smaller communities often entirely overlooked in news reports. The ABC's structural reforms in regional areas bring threats to community ties and local employment, with programming cuts potentially creating news and information content gaps in rural and regional Australia, such as occurred when *Bush Telegraph* was axed in late 2014.³²

2.34 Evidence noted that the ABC was left as the only regional broadcaster in some areas, following the withdrawal of commercial players from providing local news and other content. For example, Professor Ricketson advised that:

...there is a real crisis in the capacity for media in this country to deliver journalism in rural, regional and local areas. I'm particularly concerned—as in the university is particularly concerned—that some of the commercial television broadcasters have already signalled that they don't particularly see the provision of news and current affairs in local, regional and rural areas as part of their remit and want to pass that off to the ABC.³³

2.35 The submission made by Deakin University noted there was still signs of a substantial appetite for local news in rural and regional communities, and that the

30 MEAA, *Submission 37*, p. 13.

31 MEAA, *Submission 37*, p. 14.

32 *Submission 19*, p. 5.

33 *Committee Hansard*, 21 August 2017, p. 2.

uptake of digital media in these communities has often not been adopted fast enough to fill the gaps created by the decline in traditional media:

Declines in rural and regional news media do not mean that there are declines in demand for local news. A 2015 report on news consumption in Australia found that 20.8 per cent of consumers surveyed had accessed a regional or local newspaper in the past week. In comparison, 15.2 per cent accessed the Sydney Morning Herald, 12.1 per cent The Age, and 8.4 per cent The Australian...While the ABC and SBS annual reports document that digital technologies are being used to access more news than ever before, the uneven rise of digital journalism is yet to fill gaps created by reductions in traditional regional/rural outlets. Consideration needs to be afforded to what is, and who it is, that determines, local news.³⁴

2.36 Turning to print media, Country Press Australia (CPA) suggested that, although the print media in regional communities had been remarkably resilient in market share in rural and regional areas, they had still experienced drops in their advertising revenue due to the turn to aggregators:

These businesses have successfully embraced new technologies over those years but none as revolutionary as the internet-driven 'information age'. However, regional community news media circulations are decreasing at a much slower rate than the metro newspapers as city audiences take advantage of the digital alternatives for broader national and international information. Digital audiences are often not 'traditional' newspaper demographics and regional community media now reaches more 'eyeballs' than ever.³⁵

2.37 However, the CPA suggested there had been an overwhelming focus on the crisis in metropolitan dailies, which had 'been to the detriment of local communities and regional centres', where journalism is 'more vital to their growth and wellbeing...as the local newspaper, combined with an online site, is the only source of local information'.³⁶

2.38 In this, Professor Zion, Lead Chief Investigator of the New Beats Project, told the committee that some smaller regional papers had been gutted by redundancies and restructuring:

But what started to happen in 2015 was that the regional papers around Australia that we followed—I should add a lot of our students get their starter jobs in regional newspapers—had seemed to be weathering the storm pretty well. But what started happening with the NewsNow project, with Fairfax and with other projects was that restructure started at first to try to rationalise the way news was produced out of regional newspapers. Very quickly, a lot of those papers lost a huge number of their staff. I think if a

34 *Submission 19*, p. 5.

35 *Submission 15*, p. 2. This was also noted by the Civic Impact of Journalism Project, *Submission 14*, p. 5.

36 *Submission 15*, p. 2.

paper has 300 journalists and it goes down to 250, obviously that is a loss of 50 people, but if your journalist numbers are 40 and they go down to 20—or, in the case of the *Newcastle Herald*, I think over time they've gone down from 110 to 17...³⁷

2.39 This has been compounded by the relocation of research and editing jobs to other areas, which erodes a title's relevance to their geographic area, as well as reader loyalty and the resilience of the community more generally.³⁸ In her submission, Ms Jane Canaway noted the depletion of local newsrooms, and argued that stories of national public significance often had their genesis in small investigations into local issues:

Some regional newspapers are so understaffed they can barely offer any true insight into local government or business and are restricted to filling back sections with generic lifestyle content and relying on press releases as their main source of information, instead of talking to communities and covering local events. This includes newspapers such as the *Newcastle Herald*, whose award-winning coverage of sex abuse in the Catholic Church led to the Royal Inquiry.³⁹

2.40 Deakin University highlighted research that argued small communities, particularly in rural and regional areas, are best served by locally produced media:

...that considerable community benefit arises from local people telling stories for and about local people, with rural and regional media prime starting grounds for young budding journalists and a valuable source for local economies.⁴⁰

'Journal of record' journalism

2.41 A good deal of evidence noted the decline of 'journal of record functions' in recent years, particularly coverage of local courts, councils and politics.⁴¹ A number of submissions noted the loss of these functions had occurred across platforms and throughout Australia, although it has been particularly acute in regional and rural areas.

2.42 Associate Professor Margaret Simons, a Board Member of the PIJF, argued this general trend has translated to less scrutiny and accountability of Australian local and state governments:

...[Regarding the] reporting of courts, local councils and so on, there is an enormous deficit emerging, and that is affecting the operations of those agencies. There are more suppression orders, there is more investment by the courts in putting out information to the public and to journalists and

37 *Committee Hansard*, 21 August 2017, p. 52.

38 Ms Jane Canaway, *Submission 48*, pp. 1–3.

39 *Submission 48*, p. 1.

40 *Submission 19*, p. 5.

41 See, for example, Public Interest Journalism Foundation, *Submission 13*, p. 8; Ms Jane Canaway, *Submission 48*, pp. 1–3.

there is less independent scrutiny of local governments. The institutions of society are responding in a number of different ways, but none of them fills that deficit. That, I think, is an absolutely concerning shift in the operations of democracy at a local and state level particularly, but also ultimately at the national level.⁴²

2.43 The PIJF suggested that, while small innovative players had picked up some functions of traditional journalism in regional areas, they generally do not cover state or local politics, the courts or other traditional 'journal of record' functions.⁴³

2.44 The Civic Impact of Journalism Project suggested that, although traditional media still plays an important role in regional and rural areas, there is less coverage of local council and courts, and new media has not replaced the important 'journal of record' activities.⁴⁴

Australia and the world

2.45 Some submissions noted that only a few years ago, the Commonwealth funded a strong media presence through the Asia-Pacific, which has now largely fallen prey to budget cuts. Submitters highlighted the negative diplomatic consequences of the withdrawal of these services for Australia, as well as the diminution in transparency for Commonwealth-supported aid and development in the region.⁴⁵ These submissions noted in particular the loss of the Australia Network, a national television network broadcasting to 46 nations in the region, which ceased broadcasting in 2014. They also were concerned about proposed cuts in 2017 to Radio Australia, which delivers ABC shortwave broadcasts to the region.⁴⁶

Public health

2.46 A handful of submissions noted the valuable role that public interest journalism plays in promoting and informing public health issues, and that mainstream coverage of these issues had diminished in recent years.⁴⁷ Adjunct Associate Professor Ray Bange outlined the positive health outcomes that had been facilitated by positive news reporting:

Public interest journalism has been at the forefront in contributing to many public health advances, from the introduction of effective tobacco control measures to the establishment of numerous inquiries on health-related

42 *Committee Hansard*, 21 August 2017, p. 3.

43 *Submission 13*, p. 6.

44 *Submission 14*, p. 5.

45 See, for example, Dr Tess Newton-Cain, *Submission 8*, p. 1; Dr David Nolan et al, *Submission 30*, p. 15; Ms Ashlee Betteridge, *Submission 46*, p. 3; MEAA, *Submission 64*, p. 13.

46 Mr Jim Carroll, Director, News and Current Affairs, SBS, *Committee Hansard*, 23 November 2017, p. 13.

47 Professor Fran Baum, *Submission 20*, pp. 1–4; Croakey, *Submission 25*, p.5; Mr Ray Bange, *Submission 47*, pp. 4–5.

concerns, such as asbestos exposure, child sexual abuse and environmental health risks from pollution.⁴⁸

2.47 Croakey, an innovative online platform for public health issues, also noted that good journalism was important in this area to ensure the accountability of powerful industry and advocacy bodies:

It also has a vital accountability role given the prominence of powerful professional and commercial interests in the health sector and other sectors affecting health. These include the Australian Medical Association, the Pharmacy Guild, private health insurance funds and pharmaceutical companies. These groups have the resources to dedicate to lobbying and media activities, which give them a disproportionate influence over government policy and funding decisions. Often the issues involved are complex and technical and mainstream journalists do not have the time to dedicate to look beyond the press releases put out by interest groups.⁴⁹

Indigenous Australians

2.48 Some evidence highlighted the opportunities that Indigenous media organisations had in the digital age, including the recognition of the increasing number of Indigenous journalists employed in Australia's public broadcasters.⁵⁰ However, it was noted by Mr Daniel Featherstone, the General Manager of the Indigenous Remote Communication Association (IRCA), that there was a need for the Commonwealth to invest more broadly in training to capitalise on future opportunities:

We need to build capacity across all of our Aboriginal and Torres Strait Islander news services and also a network of community journalists across the country who will continue to do the work of making sure that those stories are properly told from their communities. Within our sector, we are talking about how to work together with the existing platforms to build their capacity, to get the opportunity for news sharing and to get the capacity of community journalists around the country to contribute to stories that can go on NITV, NIRS and CAAMA or into the *Koori Mail* and also provide their own localised services so there is some generic news that would be national and then some that would be regional. And we want each of our media organisations to be able to pull down the service that is relevant to them.⁵¹

2.49 Mr Chris Graham, speaking as the General Manager, National Indigenous Radio Service (NIRS), told the committee that the Indigenous community radio sector faced a bleak future:

The PM&C funding is \$390,000 a year. NIRS is grateful for that PM&C funding and acknowledges that it's not a bottomless pit of money; it never

48 *Submission 47*, pp. 4–5.

49 *Submission 25*, p. 4.

50 Mr Daniel Featherstone, *Committee Hansard*, 22 November 2017, p. 23.

51 *Committee Hansard*, 22 November 2017, p. 24.

has been. But it's a five-day-a-week, 14-hour-a-day national satellite-distributed news service. There are fixed costs associated with that and they soak up about half of the grant. The problem that NIRS has found which is relevant to this inquiry particularly is that government advertising has all but evaporated. In the days when there was government advertising supporting regional, and in particular Indigenous, news it was much easier. We got more than our annual grant in government advertising. This year, we're predicted to get between \$50,000 and \$70,000 in advertising, which makes the National Indigenous Radio Service unsustainable in the long term. And that's not limited to us; it's a problem across regional and, in particular, Indigenous news services.⁵²

2.50 Mr Featherstone suggested that funding changes to services had compromised the journalistic integrity of many Indigenous broadcasters. He suggested that the Commonwealth has a perception that Indigenous media is 'effectively, a delivery platform for Indigenous affairs policy', and noted that this attitude, alongside stagnant budgets, had created many pressure points for IRCA's members:

What we had previously was sponsorship funding that would come through the government but it is now almost assumed that we have to deliver that for free because we're now part of Indigenous affairs [administered by the Department of the Prime Minister and Cabinet] and that is our role—you should be putting those messages out on behalf of the government because you're funded by the government—instead of that being an income stream. We haven't had an increase in funding for our sector for 20 years, since the mid-1990s...Right now, many of our organisations are risking collapse because we haven't had even a CPI increase for most of the last 10 years and we're being asked to do more for less with sponsorship income significantly dropping over that same period as more of the sponsorship money is going to online delivery⁵³

Culturally and linguistically diverse (CALD) services

2.51 A number of submissions noted the importance of SBS in delivering multicultural news media. SBS outlined its services across television, radio and online platforms. In respect of news, SBS submitted that:

....our focus is on delivering unbiased, non-sensationalist and in-depth coverage of stories relevant and reflective of this diverse nation.

World News is the most distinctive news service in Australia. The TV bulletin is the only one broadcast nationally in prime time on any free-to-air network. It is the only bulletin that predominantly covers global news. Stories are commissioned across platforms so that they are delivered via broadcast, online and social media platforms. Apart from our coverage of world and national affairs, a core priority for the news division, in collaboration with the radio programs in languages other than English, is to share constructive stories of individuals and communities from culturally

52 *Committee Hansard*, 22 November 2017, p. 13.

53 *Committee Hansard*, 22 November 2017, p. 22.

diverse and Indigenous backgrounds and their positive contribution to Australian society.⁵⁴

2.52 This role was recognised by some submitters, with Federation of Ethnic Communities' Councils of Australia (FECCA) emphasising:

...the importance of SBS radio in strengthening community cohesion, supporting older Australians from CALD backgrounds and in protecting the rights and interests of Australia's CALD communities. FECCA wholeheartedly supports the excellent work of SBS Radio. We encourage the Government to support SBS radio in maintaining its broad reach and comprehensive language services.⁵⁵

2.53 However, there was a perception among some submitters that coverage of important information for culturally and linguistically diverse groups had attenuated over the last decade, particularly for Australians with connections with the Pacific.⁵⁶

The diminishing quality of news and its effects

2.54 The committee received evidence suggesting the restructuring of traditional business models, with the attendant reduction in the number of journalists employed, has led in some cases to a decline in the quality of content published. It was submitted that this contributed to increasing public cynicism concerning the reliability and integrity of the mainstream media.⁵⁷

2.55 In a submission made to the Finkelstein Review, the MEAA noted that dwindling circulation rates of traditional media and advertising revenue has led to decline in the quality of news published. This, in turn, has caused more readers to abandon traditional media, further eroding circulation figures, credibility and profits.

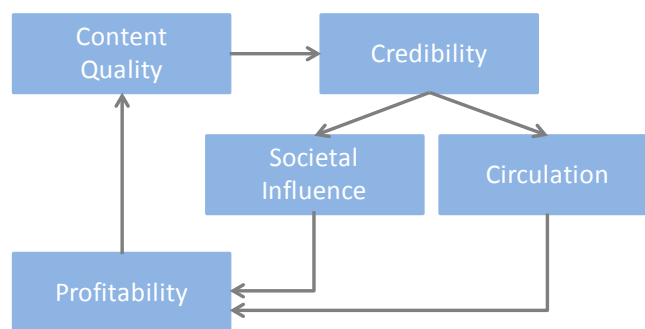
54 *Committee Hansard*, 23 November 2017, p. 13.

55 *Submission 41*, p. 4.

56 For example, see Mr Michael Taylor, Managing Editor, The Australian Independent Media Network, *Committee Hansard*, 22 November 2017, p. 10. Regarding Australians with Pacific connections, see Dr Tess Newton-Cain, *Submission 8*, p. 1; Ms Ashlee Betteridge, *Submission 46*, p. 3; and Mr Ray Bange, *Submission 47*, p. 8.

57 See the perspectives voiced by the MEAA, *Submission 64*, p. 20; Ms Jane Canaway, *Submission 48*, p. 2; Mediascope, *Submission 54*, p. 11; and by a contributor to the New Beats Project, *Submission 37*, p. 6.

Figure 1: Tracking the newspaper 'death spiral'⁵⁸



2.56 This decline in quality has been exacerbated by the speed of the modern media's '24-hour news cycle', which puts pressure on journalists and publishers to produce content at all costs, and break stories early, sometimes without checking the veracity of facts.⁵⁹

2.57 Mr Misha Ketchell, the Editor of *The Conversation*, suggested that the slump in public interest journalism had contributed to a more febrile and hyper-partisan culture of debate, as well as an increase in the spread of misleading information:

My view is that the role of journalists for a long period of time, before this digital disruption we're talking about, was being almost a cop on the beat in the public sphere—"This information is unreliable and shouldn't be published; this information is reliable and should be published." Part of what's happened with the collapse of the business models is there's no-one to pay the cop on the beat anymore. That role has been diminished, and what you have instead is a free-for-all of hyperpartisan debate, where everybody says everybody's lying, everybody can accuse everybody of fake news, and it's hard to know what you can trust.⁶⁰

2.58 Professor Peter Fray, Professor of Journalism Practice at the University of Technology Sydney, told the committee that there had also been a recent decline in the trust the public had in journalists and mainstream media:

I think that one of the bedrock issues here—this is one of the fundamental issues of journalism today—is around the trust that people have in journalists. There is a lot of work that is going on to try and reinvigorate the trust idea. Journalists and politicians are all suffering from a lack of trust in the community. There are a bunch of reasons for that. I think the idea that people are willing to believe that this is journalism is, in part, because they do not trust journalists any more. And we need to work on that.⁶¹

58 See the MEAA's submission to the Independent Inquiry into Media and Media Regulation, November 2011, cited by Dr Rhonda Jolly, *Media reviews: all sound and fury?* Background Note, Parliamentary Library, Canberra, 5 October 2012, p. 14.

59 Ms Jane Canaway, *Submission 48*, p. 2; Mediascope, *Submission 54*, p. 11;

60 *Committee Hansard*, 21 August 2017, p. 37.

61 *Committee Hansard*, 17 May 2017, p. 48.

2.59 The committee heard from Dr Sora Park, the Director of the News and Media Research Centre at the University of Canberra, who suggested that:

...trust is low but stable. The internet and social media have exacerbated low trust among news consumers, and trust is an issue that is deep-rooted in political polarisation and perceived mainstream news bias. Fake news or filter bubbles are not new, and we know that trust levels increase with the number of sources that the news consumer accesses.⁶²

2.60 A number of witnesses and submitters observed there was a correlation between the number of journalists losing their positions, the subsequent decline in standards of news, and the spread of fake news. For example, the MEAA told the committee that:

...the endless cost cutting we are experiencing is having a real impact on quality at the worst possible time. At a time when we are facing the challenge of malicious parties seeking to distribute fake news, public trust in our media becomes more important than ever. And that public trust is only going to be challenged further by the endless rounds of cost cutting and the resulting impact on quality that people see.⁶³

2.61 Ms Denise Shrivell, the Founder of Mediascope, highlighted the many factors that had exacerbated digital disruption and created a 'perfect storm' in mainstream news media, together with a growing malaise among the public about the media's reliability and trustworthiness:

To compete and survive in this environment, we have seen newsrooms centralise and deplete, and some parts of media focus more on sensation and division over substance in lockstep with political parties who tailor their message and often their actions to a voracious 24/7 news cycle—all then amplified, usually unchecked and without counter, across a narrow news network and numerous social media bubbles. In short, disruption and lack of trust in both the media and our political landscapes are no coincidence.⁶⁴

The advent of 'fake' news and online echo-chambers

2.62 'Fake news' is a phenomenon that has been increasingly debated in public policy over the last few years, especially since the Brexit campaign in the UK and the United States Presidential elections of 2016.⁶⁵ These elections saw misleading news stories circulated about political issues and candidates with the aim of spreading misinformation and uncertainty, and to disrupt the political process more generally.

62 *Committee Hansard*, 22 November 2017, p. 1.

63 *Committee Hansard*, 17 May 2017, p. 11.

64 *Committee Hansard*, 11 July 2017, p. 11.

65 See, for example, Professor Peter Fray, *Committee Hansard*, 17 May 2017, p. 48; Civic Impact of Journalism Project, *Submission 14* attachment 5 (Margaret Simons, 'Trump, fake news, and shrinking newsrooms: does journalism still matter in 2017?', *The Guardian*, 29 May 2017); Dr Alex Wake and Mr Gordon Farrer, *Submission 26*, p. 3; Dr Joseph M. Fernandez, *Submission 35*, p. 4.

The US campaign, in particular, saw frequent accusations made by the then-candidate Mr Donald Trump that mainstream news organisations published 'fake news' about him, as they were 'crooked' or intentionally biased against him.

2.63 Professor Fray identified two kinds of 'fake news'. One is misleading content resembling legitimate commentary, which is intentionally designed to spread misinformation for political capital or to drive users to sites to increase advertising revenues. The other kind of fake news highlighted by Professor Fray was the use of the term as a pejorative to cast doubt on accurate reporting:

I think it is really important when we talk about fake news to think of the two things: one is, lies and propaganda dressed up as news by people who may or may not wish to change political discourse or make money from it—we saw that in the US election; and then the other is, in a sense, I think even more troubling and, that is, essentially, people using the term fake news to denigrate the role and the work of journalists.⁶⁶

2.64 The committee understands that Facebook now uses the term 'false news' to define misleading news online, and to distinguish this from the highly charged 'fake news' used to disparage mainstream news media.⁶⁷

2.65 To this, Mr Paul Wallbank also added that some 'fake news' content was designed to reinforce people's prejudices in online communities where their existing beliefs were not challenged, termed 'filter bubbles' or 'echo chambers':

If I could add a third definition—that is, of fake news that is being spread to reinforce people's own beliefs and filter bubbles, which is probably the broadest problem with social media. That is something that is patently untrue being spread to push somebody's agenda.⁶⁸

2.66 The submission made by SBS highlighted the BBC's definition of fake news, drawing the committee's attention to its relationship with social media platforms, whether or not it is designed for profit or political gain:

The BBC defines Fake News as false information deliberately circulated by hoax news sites to misinform, usually for political or commercial purposes. Social media, and particularly Facebook, amplify these stories and can enable their authors to make large sums from online advertising. The role of social media in this phenomenon means that the audiences for Fake News tend to be younger than users of traditional news output.⁶⁹

66 *Committee Hansard*, 17 May 2017, p. 47.

67 Ms Mia Garlick, *Committee Hansard*, 22 August 2017, p. 2. See also Will Oremus, 'Facebook Has Stopped Saying 'Fake News'', *Slate*, www.slate.com/blogs/future_tense/2017/08/08/facebook_has_stopped_saying_fake_news_is_false_news_any_better.html (accessed 16 January 2018).

68 *Committee Hansard*, 17 May 2017, p. 47.

69 *Submission 62*, p. 7, citing www.parliament.uk/business/committees/committees-a-z/commons-select/culture-media-and-sport-committee/inquiries/parliament-2015/inquiry2/.

2.67 Ms Justine McCarthy, Legal Counsel in Regulatory and Business Affairs for Seven West Media, highlighted the difficulties of dealing with fake news for traditional media, especially with smaller teams and reduced capacity:

The other thing that is important and a rising issue with fake news is it actually puts an additional strain on our own newsrooms, particularly in circumstances of late breaking situations that are unfolding. It can be difficult for our own newsrooms to distinguish things that they are seeing online if names are being reported on Twitter, for instance. They have to put a lot of additional resources into fact-checking before they can broadcast the same material, which of course is what they do and they're happy to do that, but it is additional pressure and there is the need for additional resources in our newsrooms to carry out that important task.⁷⁰

2.68 A number of witnesses and submitters argued that 'fake news' is not necessarily a new phenomenon. Some suggested that consumers had always had to contend with misleading stories—whether by design or resulting from poor quality journalism, and that the general public is sufficiently able to discriminate between reliable and unreliable sources of news. For example, Mr Graham, the Publisher and Editor of the *New Matilda*, said:

My personal view is that the fear around fake news is overblown. Fake news has been around since the printing press was invented.⁷¹

2.69 While arguing that it was a relatively new phenomenon, Professor Fray also considered that fake news had an uncertain future trajectory, especially given the efforts of aggregators to combat its influence:

We are only into the first decade of social media and we are really trying to get our heads around it. In some respects, this is like television in the 1950s. In the 1960 presidential election, we had the Nixon-Kennedy debates.⁷²

2.70 While 'fake news' was referred to frequently in evidence, the committee only received a limited amount of information directly addressing the role fake news and misinformation has had on democratic processes. However, the committee notes the seriousness with which the matter is viewed overseas. The committee cites as one example the fact that a number of countries are actively scrutinising the possibility of

70 *Committee Hansard*, 11 July 2017, p. 44.

71 *Committee Hansard*, 22 November 2017, p. 12. See also, for example, Dr Alex Wake and Mr Gordon Farrer, *Submission 26*, p. 2 for a suggestion that 'fake news' may be merely an 'amorphous, fashionable and nefarious phrase' that 'may be a passing fancy...'; also the view of Professor Peter Fray outlined in Dr Joseph M. Fernandez, *Submission 35*, p. 7. See also Mr Jason Pellegrino, Managing Director, Google Australia Pty Ltd, *Committee Hansard*, 22 August 2017, p. 19; Dr Sora Park, *Committee Hansard*, 22 November 2017, p. 1.

72 *Committee Hansard*, 17 May 2017, p. 48.

foreign interference in the conduct of elections, and the role 'fake news' might have played.⁷³

2.71 As discussed in chapter 1, the committee also understands that the government will be introducing legislation into parliament that is, in part, designed to tackle this problem in Australia.

2.72 Regarding the Commonwealth's concerns about and work to address fake news, the Department of the Prime Minister and Cabinet (PM&C) informed the committee:

The rise of social media and other technological platforms has created challenges for monitoring false and misleading news. The Australian Communications and Media Authority's recent *2016-17 Communications Report* highlights that the rise in 'fake' news in 2016 concerned some Australians, and Australia's trust in media has declined since 2010. [PM&C] is considering the potential impact of 'fake news', including as part of ongoing cross-government work in relation to foreign interference.

It is standard practice for [PM&C] to keep across developing policy issues, and brief their respective Ministers and the Prime Minister where necessary. Issues relating to media and the role of media generally fall within the portfolio responsibilities of the Department of Communications and the Arts.

Of relevance, the Electoral and Other Legislation Amendment Act 2017 was passed by the Parliament in September 2017, providing transparency for voters to know who is behind political messages that could influence their vote. These reforms bring Australia's longstanding authorisations requirements to contemporary forms of communications, like robocalls and mass SMS-messages.⁷⁴

73 For further detail, see the later chapter in this report which deals with international models. France has announced legislation looking to limit the use and spread of fake news during election campaigns. These laws would include both social media and traditional media platforms, and include emergency powers to delete content or block websites. The United States Congress is looking into alleged Russian interference in the 2016 Presidential elections, and in the UK, a parliamentary committee was looking at the influence of fake news in elections until the inquiry lapsed with the General Election of 2017. See also Mr Harley Comrie, *Submission 72*, pp. 5–6, for commentary on the situation in the Philippines.

74 Department of the Prime Minister and Cabinet—answers to questions on notice (received 18 January 2018), p. 1.

